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Making human resources strategic by going to the Net: reality or myth?

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This paper discusses whether e-HRM makes the HR function more strategic. A model of e-HRM strategy formulation is developed and the efficacy of the HR function becoming more strategic is discussed. Based on this model, a primarily administrative HR function is unlikely to become more strategic with the addition of e-HRM. In contexts where e-HRM goals are likely to be strategic, however, the tendency for HR managers to copy best practices, be overly skeptical or satisfice poses serious challenges. Implications and avenues for future research are discussed.

Keywords: e-HRM strategy; strategic human resource management

Almost a decade ago, beginning with the Internet boom, management scholars called attention to the transformative effects of Internet-based information technologies. Essentially, Net technologies such as the Internet, extranets, intranets, and the World Wide Web would allow everyone to communicate with everybody else at almost zero cost (Evans and Wurster 1997). Within the human resource management community, early descriptions of the transformative value of Internet-based electronic human resource management, or e-HRM, prompted speculation that this information technology innovation would transform the HR function. For example, HR consultants, Watson Wyatt, described e-HRM *as an enterprise-wide strategy* that used scalable, flexible and integrated technology to link internal processes and knowledge workers directly to the business objectives of the organization. In the business press, e-HRM was hailed as *an overall HR strategy* that would lift HR, shift it from the HR department and isolated activities and redistribute it to the organization and trusted business partners (Karakanian 2000).

The goal of this paper is to show why e-HRM will rarely deliver on these strategic expectations. This does not mean an investment in e-HRM can never be strategic; however, the currently popular conception of e-HRM making HR strategic may be overly optimistic. Integrating literatures in strategic human resources and strategic search (Rivkin 2000; Gavetti and Rivkin 2007), this paper develops a model of e-HRM strategy formulation that supports this goal.

The paper begins with a review of the strategic human resource and e-HRM literatures to provide initial theoretical support for the proposed model. Next, a model is proposed in which HR functional roles and e-HRM goals fit within a strategic process that emerges over time. In this model, the strategy formulation process is also affected by social mimetic forces, the presence of which can de-rail strategic intent. Several propositions

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concerning e-HRM strategy formulation are derived. The paper concludes with recommendations for future research.

Theoretical background

Strategic human resources and e-HRM

In the strategic human resource management (SHRM) literature, there are two overarching strategic perspectives. The first takes an organizational economic perspective in which being strategic is associated with market positioning in the external environment to achieve competitive advantage (Baird and Meshoulam 1988; Porter 1985; Delery and Doty 1996; Snell, Shadur and Wright 2001). A second strand of literature is based on the Resource-Based View (RBV), which focuses on strategic resources and capabilities within the firm as sources of competitive advantage (Barney 1991; Hamel and Prahalad 1994; Snell et al. 2001; Wright, Dunford and Snell 2001). The former strategic perspective focuses on how the external economic environment shapes business strategy and the latter emphasizes resources and capabilities internal to the firm. Both theoretical perspectives provide useful frameworks for linking human resource management (e.g. policies and practices) to business strategy and competitive advantage.

Models based on external positioning depict SHRM as playing a secondary role in achieving competitive advantage (Wright and McMahan 1992; Delery and Doty 1996; Chadwick and Cappelli 1999). In this model, SHRM only contributes to competitive advantage when it fits with or is in vertical alignment with firm-level business strategies. In this conception of SHRM, achieving competitive advantage is contingent on whether HR policies and practices fit the firm's business strategy. If there is no fit then achieving competitive advantage is unlikely.

The second model, based on the RBV, accords a more direct role for SHRM. In this model, SHRM can represent a strategy that creates competitive advantage. In other words, an organization's business strategy can be its human resources strategy in which developing human capital and organizational capability achieves competitive advantage (Wright et al. 2001). In this conception, alignment with external market positioning is not the key factor. Instead, the focus is on building internal resources and capabilities to compete. In applying an RBV perspective to human resource management, the human resource function therefore has the potential to produce human resources and organizational capabilities critical to achieving competitive advantage. These resources include a pool of human capital derived from dynamic capabilities that result in superior productivity and firm performance (Wright et al. 2001; Ulrich and Brockbank 2005; Lengnick-Hall and Lengnick-Hall 2006).

Interestingly, the emerging strategic e-HRM research appears to emphasize fit with an externally focused business strategy. Less attention is given to applying an RBV perspective. In this literature, HR becomes more strategic when the HR function moves from being primarily administrative to being 'more strategic' where the phrase 'being more strategic' reduces the HR function to supporting the organization's external business strategy (Lepak and Snell 1998; Snell, Stueber and Lepak 2001; Lengnick-Hall and Moritz 2003; Ruël, Bondarouk and Looise 2004; Parry 2006). Furthermore, the primary justification, and indeed the consistent outcome of implementing e-HR technology, is cost reduction with very little evidence of HR having a strategic role (Shrivastava and Shaw 2003; Lengnick-Hall and Moritz 2003; Ruël et al. 2004). Cost reduction is achieved by eliminating (e.g. automating or outsourcing) HR transactional functions. Prescriptively, and not based on theory, per se, the expected consequence of eliminating administrative

responsibilities is to have more time for the HR function to devote to strategic alignment activities. The empirical evidence, however, suggests this is not realized (Gardner, Lepak and Bartol 2003; Ruël et al. 2004) – at least not right away (Parry 2006).

HR strategy and the HR function

Another strand of the SHRM literature is the role the HR function plays in executing SHRM polices and practices. Empirical explorations of e-HRM deployments within organizations most frequently cite this strand of SHRM literature. In this e-HRM literature, the term 'making HR more strategic' draws heavily on Ulrich's early model of SHRM which posits that the way to make HR more strategic is for the HR function to change from being primarily administrative to supporting business strategy as a strategic business partner (Ulrich 1997; Lawler and Mohrman 2003). In this conception, taking on the role of strategic business partner is consistent with external positioning in which strategic means that the HR function supports or aligns with business strategy. The next section introduces a model of strategic e-HRM in which being strategic considers both external positioning and developing internal resources and capabilities.

Model and propositions

A model of HR functional strategy and e-HRM strategy

In the larger strategic process, managers dynamically search for business strategies that respond to problems and challenges posed in the external environment, arriving at strategic responses through a strategy formulation process, and implementing strategy and changes incrementally (Gavetti and Rivkin 2007). This strategic process consists of an ongoing sequence of activities involving a search for strategies that addresses environmental challenges, strategy formulation, strategy implementation, and evaluation of strategic outcomes. The evaluation of strategic outcomes re-initiates the strategic process again if the outcomes do not meet goals.

Figure 1 depicts how e-HRM strategy fits within this overall strategic process. The model in Figure 1 focuses on initial conditions in order to examine how e-HRM might transform the HR function from being predominately administrative to playing a strategic role. Thus it assumes two things. First, it assumes that e-HRM technology is being considered for the first time and second, it assumes that strategy formulation is antecedent to strategy implementation.

The model represents business strategy as a process in which HR strategy formulation requires top managers to decide whether their HRM policies and practices are critical to achieving competitive advantage. If business strategy is focused on external positioning then execution to achieve competitive advantage involves HRM playing an alignment role. Alternatively, if business strategy involves building internal resources and capabilities, then the HRM function will be more directly involved.

HR deliverables flow from this fundamental choice in the strategy formulation process. The model shows how the HR function is viewed in the strategy process then determines HR's primary deliverables. Since primary deliverables focus HR managers' attention and allocation of resources to successfully performing key HR roles, the model shows e-HRM goals emerging from HR managerial efforts to successfully meet their role expectations.

In Figure 1, the model depicts three main HR deliverables, which are derived from an integration of Ulrich's proposed four generic HR deliverables (efficient infrastructure, executing strategy, building commitment, managing change) and a subsequent model of

how the HR function builds value in organizations through building organizational capabilities (Ulrich and Brockbank 2005). In organizations where HR is not considered strategic, the primary deliverable will be to efficiently manage HR administrative transactions (Groysberg, McLean and Reavis 2005). In organizations where HR is considered strategic but not the source of competitive advantage, the main HR deliverable will be to align HR practices with an external positioning strategy. Finally, in organizations where HRM is considered a source of competitive advantage, consistent with a RBV perspective, the primary deliverable will be to develop human capital and dynamic capabilities.

Primary HR role and e-HRM goals

Although the HR function may perform multiple roles, Lepak, Bartol and Erhardt (2005) contend that there is a dominant or primary role. The primary role is the role in which HR managers spend the most time (Lawler and Mohrman 2003). Based on Ulrich's models of strategic HRM (1997, 2005), three primary roles are proposed: administrative expert; strategic partner; and capability builder. Because primary deliverables are expected to

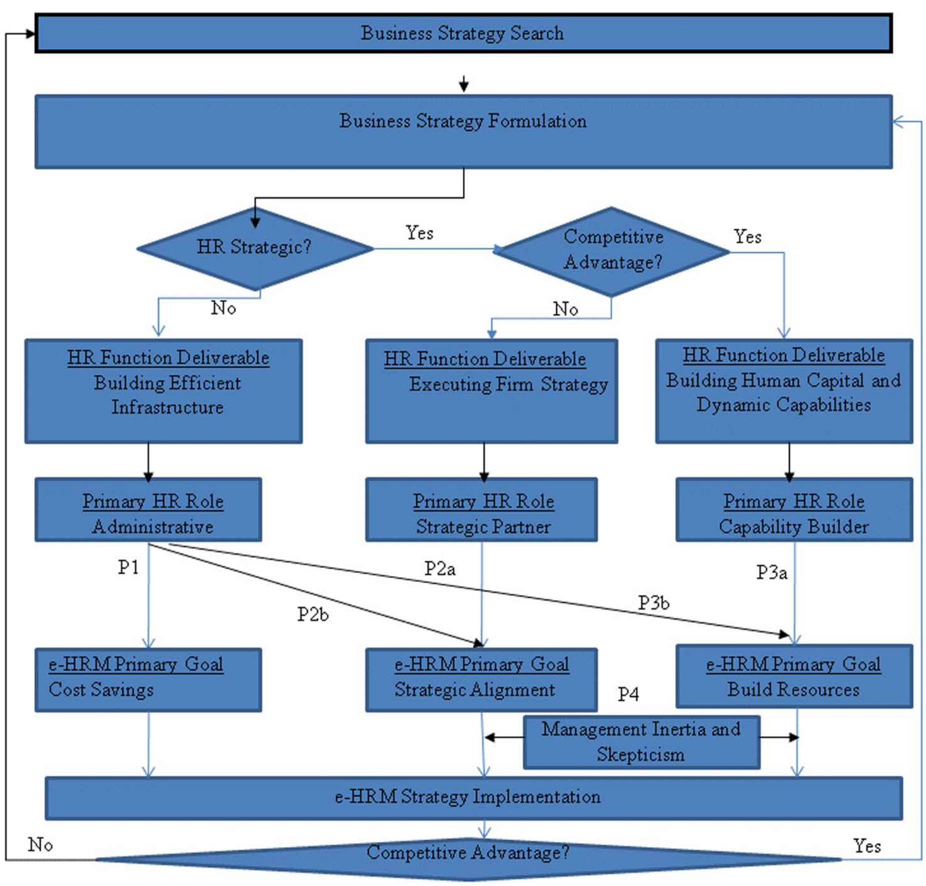

Figure 1. Model of e-HRM strategy formulation.

direct an HR manager's allocation of time, each primary role is associated with a primary deliverable.

In firms where HR functions are expected to build efficient infrastructure, the dominant HR role is that of administrative expert (Ulrich 1997). The administrative expert role consists of HR functional activities such as tracking job requisitions, managing employee payroll, benefits programs, and EEO compliance.

In HR functions where strategic alignment is the primary HR deliverable, HR managers will spend more time on designing HR policies that align with product or service strategies. Such a strategic business partner role might involve performing business planning, work-force planning, performance management and succession planning, and compensation design in support of executing the business strategy.

If building organizational capabilities and human capital are the primary deliverable, HR managers will spend most of their time on developing practices that develop and build human capital and internal organizational capability. This latter role is more fully developed in Ulrich and Brockbank's model of HR value (2005) in which building and reinforcing cultures and specific organizational routines that reinforce human capital are important HR activities.

Ruël and colleagues (2004) argue that e-HRM goals are derived from organizational pressures to improve the HR function's ability to reduce costs, support strategic orientation, and provide client services to management and employees. Although all three goals are important in allocating scarce resources, priorities among these goals will exist such that one goal category will dominate. In information technology development this choice is often referred to as the choice between 'must have' and 'nice to have'. The 'must have' goal is the dominant goal. In the proposed model, therefore each e-HRM goal is associated with a primary HR role. Managers will make investments in e-HRM technology to the extent it best supports them in executing their primary role successfully.

In the model, three key e-HRM goals are identified: cost savings; strategic alignment; and building resources. Lepak and Snell (1998) argue that IT can have an operational, relational, and transformational impact on the HR function. The three proposed goals also map onto these three impacts of IT on the HR function. First, IT can have an operational impact because technology can automate and streamline tasks. Automation and streamlining administrative tasks should reduce costs and improve productivity. Second, IT can have a relational impact since information technology can improve HR's ability to deliver HR services in a timely manner. For example, Merck used e-HRM to enhance service by providing line managers and employees with remote access to HR databases, which supported their decisions and increased internal communication (Snell et al. 2001). Finally, IT can transform HR's role by redefining the scope and function to focus on more strategic issues (Snell et al. 2001).

Administrative HR and e-HRM goals

The main goal of the administrative role is to create an organizational infrastructure that eliminates unnecessary costs and redundancies. In the 1990s, information technology facilitated realization of these operationally focused goals. Introductions of client server information technology and ERP software resulted in re-engineering, downsizing, and outsourcing transactional processes such as payroll and benefits administration (Ball 2001; Dyer and Burdick 1999; Groysberg et al. 2005; Ulrich 1997). Internet-based information technologies enhanced these earlier cost savings by allowing the HR function to shift administrative activities to employees through use of self-service technologies (c.f. Marler and Dulebohn 2005) resulting in lower transactions costs and fewer HR personnel.

When organizations initially consider an e-HRM investment, most think about improving efficiency, reducing headcount, and lowering transaction costs through automation (Shrivastava and Shaw 2003; Ruël et al. 2004; CedarCrestone Report 2005). In their 2002 e-HR survey, Watson Wyatt found that the top four metrics used in formal business cases supporting e-HRM investments were: productivity improvements within the HR organization; cost reductions; return on investments; and enhanced employee communications (Lengnick-Hall and Moritz 2003).

Companies with an HR function that spends the most time on administrative tasks are more likely to justify and evaluate e-HRM on the basis of cost savings through the automation and or outsourcing of these administrative transactions. Consequently, in organizations with an HR function that is administratively oriented, the primary goal of deploying any type of e-HRM capability will be to achieve efficiency and costs savings.

Proposition 1: Organizations whose HR functional role is primarily administrative will have e-HRM goals that focus primarily on cost savings.

HR strategic partner and e-HRM goals

Does automating administrative transactions by implementing e-HRM technology make the HR function more strategic because those in the HR function can now spend more time on strategic activities? Porter (2001) argues that to achieve competitive advantage and therefore superior performance, firms must compete either through operating at lower cost than competitors or by strategic positioning to command a premium price.

Although greater efficiency and cost reduction are important HR deliverables, these outcomes alone are unlikely to contribute to competitive advantage because they can be easily copied. Given the variety of e-HRM software products and consultants making it easy to 'buy' operational effectiveness, it is hard to argue cost reductions from e-HRM will lead to superior performance compared to competitors. If competitors can easily access cost reducing technologies then such technologies cannot offer competitive advantage. In a similar vein, Lengnick-Hall and Lengnick-Hall (2006) note ERP use alone is far from sufficient to guarantee a strong competitive position in a fluid economy. To promote sustained competitive advantage, firms must use ERP technologies in distinctive ways or in ways that enable their firm to accomplish distinctive outcomes. Consequently, achieving value or competitive advantage through e-HRM requires more than simply focusing on cost savings as the primary objective.

Consistent with Porter's competitive strategy, the alternative to competing on operational effectiveness is to compete on strategic positioning. Strategic positioning means doing things differently from competitors in a way that delivers unique value. It involves the configuration of a tailored value chain – the series of activities required to produce and deliver a product or service that enables a company to offer unique value. Strategic positioning simply means being different from your competitors in ways that make your product or service more valuable in order to gain competitive advantage.

Applied to e-HRM, strategic positioning implies that customizing Internet-based technology is important. Through configuration and customization, an e-HRM deployment better supports execution of the company's business activities to deliver on overall strategic positioning objectives. Customization, however, means a willingness to adapt an 'off-the-shelf' e-HRM software application to best support the organization's strategic positioning rather than to adapt to the so-called 'best practices' assumed in the software.

Configuring and customizing an e-HRM system is no simple matter. It requires organizational commitment to invest considerable resources in the HR function. Such IT resources include investments in process design and system configuration as well as a pool of human capital with the knowledge and skills to deliver these capabilities. In companies where the HR function is administratively oriented, making a case for spending more time and money on customizing e-HRM will conflict with a dominant expectation to reduce costs. Customization requests run counter to the cost reduction goals of administrative role expectations. Consequently, most organizations will not do this, preferring instead to minimize internal resources or outsource most of the HR function. From a strategic positioning perspective, generic e-HRM applications or standardized configurations advocated by consultants, or outsourcers speed competitive convergence rather than reinforce distinctiveness. Generic e-HRM technology can only result in limited fit with the organization's business processes therefore, adding little value in the long term even when short-term implementation costs are reduced.

Because a strategic orientation involves quite a radical shift of focus from cost reduction to customization, HR functions attempting to shift from a primary administrative role to a strategic role will find the transformation difficult. This is particularly true if top management continues to perceive the HR function as a cost center. This is also true if the HR function is not considered a critical part of the firm's overall business strategy. An investment in generic e-HRM capability alone will not be sufficient to transform the HR functional roles.

Without a strong commitment to emphasizing strategic value (in this case alignment) over efficiency, challenges to policies and practices embedded in the standardized version of e-HRM software will not be supported. In order to effectively argue in support of customizing e-HRM software to support strategic goals, the HR function must already be part of the strategic team. For example, from early on General Electric valued the HR function as strategically important to making GE a leading company (Groysberg et al. 2005). Thus, when General Electric implemented PeopleSoft's web-based benefits module, it spent several years in development customizing the software to insure it aligned with the overall corporate strategy that included being completely web-enabled, global, innovative, and able to deliver six sigma qualities. Although cost was important it was not the dominant goal. Strategic alignment was the dominant goal, which meant customizing a commercially obtained e-HRM technology despite increasing the overall cost.

Based on the preceding discussion, the following relationships between dominant HR role and e-HRM goals are proposed:

Proposition 2a: Organizations with a primarily strategic partner HR functional role will be associated with e-HRM goals that focus primarily on achieving customized alignment with business strategy.

Proposition 2b: Organizations with a primarily administrative HR functional role will be negatively associated with e-HRM goals that focus primarily customized strategic alignment.

Capability builder and e-HRM goals

The RBV states that the firm can achieve sustained competitive advantage by marshalling resources and capabilities *within the firm* rather than focusing on strategic positioning against those external to the firm. In the RBV of the firm, resources represent those specific physical (e.g., specialized equipment, geographic location), human (e.g., expertise in

chemistry), and organizational (e.g. superior sales force) assets that can be used to implement value creating strategies (Eisenhardt and Martin 2000). Internal resources are at the heart of the resource-based view. Capabilities on the other hand are the antecedent organizational routines by which managers alter their resource base (e.g., acquire and shed resources, integrate them together and recombine them) to generate new value-creating strategies (Eisenhardt and Martin 2000).

Resources and capabilities must be valuable, rare, inimitable and non-substitutable (i.e. VRIN attributes) in order to produce sustained competitive advantage (Barney 1991). A firm's resources and capabilities are valuable if, and only if, they reduce costs or increase revenues compared to what would have been if the firm did not possess those resources and capabilities (Barney and Hesterly 1996). They are rare if not possessed by large numbers of competing or potentially competing firms. Furthermore, value producing and rare resources and capabilities only produce sustainable competitive advantage if they cannot be imitated. If competitors copy these resources and capabilities, the firm's advantage quickly dissipates because competitors will either be able to match revenues or decrease costs through imitation. Finally, for a firm's resources and capabilities to provide sustained competitive advantage there must be no strategically equivalent or substitutable resource that is itself either not rare or imitable (Barney 1991). For these conditions to hold, or even exist, a key assumption is that firms differ in terms of the resources and capabilities they control and that these resources are not perfectly mobile. Under these conditions, firms can exist without converging to one efficient best practice structure.

Based on the RBV, deploying Internet technology is *unlikely* to result in a sustained competitive advantage because Internet-based technologies on their own do not have VRIN characteristics. As is clear by the proliferation of e-HRM software vendors, with software products that require constant upgrades, and consultants, the IT part of the equation is not rare and is easily imitated. Consequently, although investing in state of the art global intranets and extranets increases access to organizational knowledge and information, it does not offer sustained advantages if rivals have easy access to similar technological resources.

However, developing VRIN characteristics is possible if an organization's use of e-HRM develops into a capability that builds the acquisition of critical human capital resources by dynamically combining cutting edge Internet-based resources (hardware and software assets) with its pool of human capital to produce organizational knowledge, social networks that promote information sharing, and organizational processes that produce innovative responses in competitive markets. In other words, an organization's e-HRM system may be value producing when it is configured as a combination of Internet-based information technology resources, human resources consisting of IT, HRIS and HR knowledge, skill, and experience and organizational processes that facilitate organizational agility, learning, and innovation.

Combinations of IT and human resources, and organizational capabilities are also not easily copied because they are complex. They are derivative of a system of relationships, knowledge, and tacit routines that interact in synergistic ways that are not easily identified or explained (c.f. Rivkin 2000). Finally, the combination is path dependent because it emerges from a series of IT investment decisions, human capital knowledge acquisition and development and organizational processes that *occur over time*. An organization's e-HRM system therefore can be value adding, unique and not easily imitated when configured over time and when focused on developing organizational agility, learning, and innovation.

Developing an e-HRM system that creates or sustains competitive advantage requires investments in information technology resources and specialized human capital that can integrate IT and human resource knowledge and experience. For example, Hustad and Munkvold (2005) describe how Ericsson, a global telecommunications company, combined corporate strategic and human resource management capabilities with IT technical expertise to create a customized Internet-based competency planning module. The competency information, warehoused remotely in a centralized data repository, was formed from a combination of human capital, tacit organizational knowledge, and then made electronically available to facilitate information sharing. By using HR functional knowledge and IT capabilities, relevant HR data and key proprietary information was digitized, organized, synthesized, and distributed to key decision makers at a much lower transaction cost than was possible before the Internet. In this organization the HR role and the e-HRM goal clearly focused on improving human capital and human resource capabilities around developing learning and innovation.

Firms with an HR capability building role are also more likely to justify and evaluate e-HRM not simply by cutting costs, or aligning with strategically positioned product strategies, but by making sure e-HRM contributes to a unique system that develops and supports dynamic organizational capabilities and growth of human capital. Consequently, as depicted in the proposed model, the following relationship is proposed:

Proposition 3a: Organizations with a primary HR functional role as capability builder will be associated with e-HRM goals that focus primarily on building human capital resources and organizational capabilities.

Proposition 3b: Organizations with a primarily administrative HR functional role will be negatively associated with e-HRM goals that focus primarily on building human capital resources and organizational capabilities.

Management inertia, skepticism, and e-HRM goals

Social forces can influence strategic outcomes (Abrahamson 1996; Strang and Macy 2001) and pose another threat to achieving competitive advantage. Organizations facing challenging business environments such as operating in dynamic markets (Teece, Pisano and Shuen 1997) often turn to successful 'others' as a source of information. Early success stories of prominent businesses fuels imitation and jumping on a bandwagon without fully understanding its implications. In fast changing competitive economic environments, social forces, in the form of management fashions, can de-rail the strategic potential of e-HRM.

Management fashions are fueled by a biased obsession with business success stories, benchmarking, and a competitive market searching for the competitive advantage 'silver bullet' (Abrahamson 1996). Strang and Macy (2001) argue the take-off period occurs as a process of adaptive emulation unfolds. Organizations facing a challenging business environment search for solutions and in this search turn to successful others as a source of information. Early success stories of prominent businesses fuel imitation and fad-like behavior as competitors don't want to be left behind.

In modeling the trajectory and declines of organizational fad behavior, Strang and Macy (2001) show how management skepticism or inertia operates to reduce the bandwagon effects of truly valueless management innovations. Thus being skeptical or slow to act can be a good thing. On the flip side, however, skepticism and inertia can also

limit the optimal adoption and implementation of superior management innovations such as e-HRM. According to Strang and Macy (2001), either firms can be too skeptical of a new innovation or inertia can set in too early and both these characteristics can stand in the way of truly optimal innovations taking root.

In the case of skepticism, firms tend to invest too little or underestimate the complexity of making an innovation work. As a result, firms tend to abandon an innovation too soon either to pursue another more promising innovation or to stem initially disappointing results. Similarly managerial inertia can lead firms to satisfice too early and not continue the exploration and continuous improvement needed to actually arrive at the optimal solution. If e-HRM has qualities of management fashion (e.g. a panacea or silver bullet for HR), it is possible that when some organizations adopt e-HRM, managerial skepticism or inertia will limit its optimal use.

Evidence available from the business press suggests that investments in e-HRM exhibit management skepticism and then inertia. Initially slow to catch on, its popularity grew rapidly. In 2000, almost 70% of employees in Cedar's Human Resource Self-Service Survey had corporate e-mail and corporate Intranet access compared to 50% in the prior year. Thus there was explosive growth; however, some consulting reports suggest that while more companies are deploying e-HRM innovations, the investments are superficial and piecemeal, concentrated in only a few key areas. For example, the Hunter Group's survey of organizations found that 40% had adopted some form of e-HRM but this really meant they had introduced self-service benefits enrollment and or the ability to review job postings through corporate intranet access. A survey of web self-service deployment conducted by Towers Perrin (2002, p. 2) revealed that 'companies have tended to use the web as a tactical tool to deliver HR services, rather than as a way to rethink fundamental operations and strategy, and achieve the more intangible benefits that arise only after large and sustained investment.'

If e-HRM is adopted because others have hailed it as the magic solution to all business problems (e. g. lower costs and make HR strategic), its deployment will reduce the likelihood that e-HRM goals will be realized and increase the chances that propounded benefits (e.g. make HR more strategic) will be more superficial than real. Even now many organizations claim their investment in e-HRM is made to make HRM more strategic, without understanding what that entails.

Thus to the extent organizations adopt e-HRM because others are doing it or because consultants extol its virtues, managerial inertia may lead to underinvestment and undermine e-HRM's strategic potential. As Strang and Macy (2001) point out, optimal innovations aren't the ones that are always copied. Mediocre innovations survive and even flourish because many organizations are willing to satisfice. Indeed, Strang and Macy (2001) argue that 'best practices' in many organizations may not be best practice; they simply exist in organizations which have a market advantage that allows them to satisfice on these innovations. Moreover 'best practices' built into the standardized 'vanilla' versions of commercial e-HRM software may not necessarily be best practice or may require considerable configuration to represent best practice.

Thus the following relationship is likely to hold.

Proposition 4: Management skepticism or inertia will moderate the relationship between e-HRM goals and e-HRM implementation such that when management skepticism or inertia is high the likelihood that e-HRM strategic alignment goals or capability building goals will be achieved is diminished.

Discussion

Competitive advantage occurs when strategic actions result in resource or capability differences that produce superior firm-level profitability and cash flows (Rumelt 2003; Pacheco-de-Almeida and Zemsky 2007). To achieve competitive advantage a firm must be different from its competitors in ways that allow it to earn superior returns. In competitive environments, however, economic and social forces do not permit competitive advantage to exist for long, if at all. From an economic perspective, lower technology costs encourage a substitution of technology for labor. If everyone responds the same way, although these actions may make business processes more efficient, it will not result in superior profitability, which is the hallmark of competitive advantage.

The proposed model developed in this paper is a first step in examining how e-HRM fits into a strategic human resource framework and how e-HRM may help a firm achieve competitive advantage. As developed, the model shows how the formulation of e-HRM goals that guide e-HRM implementation are unlikely to make the HR function more strategic or achieve competitive advantage. Thus, relying on e-HRM alone to realize this transformation may be more myth than reality. On the other hand, although there is little potential for e-HRM to make the HR function more strategic, the converse holds greater potential. Investments in e-HRM that have the best chance of creating a competitive advantage are more likely to be in organizations where the HR function already plays a strategic role. In this context the likelihood that e-HRM will contribute to an organization's competitive advantage is greatly enhanced.

Although providing a foundation, future research is needed to build, augment, and refine this model. For example, Martin, Wood and Collings (2006) contend national-level institutions may influence how e-HRM goals are established. The model proposed here addresses the important role of environmental context as part of the strategic search process; however, more detail about how the environment affects strategic search and strategy formulation as it relates to e-HRM goal formulation would provide a relevant extension of this model. Another important context is the degree of environmental stability. Firms operating in dynamic markets must contend with very different challenges compared to firms that operate in stable markets (Eisenhardt and Martin 2000; Pacheco-de-Almeida and Zemsky 2007). In stable industrial contexts, external position and strategic fit may be more relevant whereas in dynamic emerging industries, internal resources and capabilities are more applicable.

More work also needs to be done concerning how or whether e-HRM goals are linked to e-HRM implementation. In this regard, technology diffusion models (Cooper and Zmud 1990) and change management frameworks (c.f. Ruta 2005) may be fruitfully applied. Several recent case studies suggest other factors in addition to management inertia and skepticism might impede realization of initial e-HRM goals (c.f Shrivastava and Shaw 2003; Hustad and Munkvold 2005).

Finally, from an empirical perspective there are many avenues for future research. First, this model needs to be tested quantitatively or qualitatively with either firm or individual level data. Second, further research is needed with respect to measuring the key constructs proposed in this model such as HR role and e-HRM goals, and also more generally, in other models such as synthesizing conceptualization of various e-HRM implementation and e-HRM outcomes. Finally, more research is needed to integrate e-HRM better into the HRM literature both theoretically and empirically. The model proposed here is an initial attempt to lay the groundwork for this needed integration from a theoretical perspective.

Conclusion

In conclusion, although e-HRM has the capability to be strategic, few will realize its potential to create competitive advantage. As Porter (2001) noted, the great paradox of the Internet is that its very benefits – making information widely available; reducing the difficulty of purchasing, marketing and distribution, allowing buyers and sellers to find and transact business with one another more easily – also make it more difficult for companies to capture those benefits as profits. Consequently, the true value-adding potential of e-HRM may be realized only by a few HR managers who think strategically before going to the Net.

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